

PRESS RELEASE

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Monthly business survey – August 2022

Business confidence drops again in August

- **The decline in the barometer is evident in both industry and business services. By contrast, confidence is recovering in the building industry and, more noticeably, in the trade sector.**

In the manufacturing industry, all components of the indicator have got worse, with the exception of demand forecasts. Appraisal of order books, in particular, has dropped significantly. A growing number of entrepreneurs have also taken a less positive view of their stock levels, while forecasts for employment have been revised downwards.

Confidence has continued to dissipate in business-related services. While the overall assessment of current business activity has deteriorated sharply, the outlook for the next three months has improved slightly. Expectations regarding general market demand have remained fairly stable.

Meanwhile, the business climate in the building industry has improved, mainly because of a more positive appraisal of order books.

It is in the trade sector where the increase in morale among company managers has been the most visible, coming on the back of three consecutive declines. This renewed optimism stems from better forecasts for demand and, to a lesser extent, for employment too. However, retailers are expecting to place fewer orders with their suppliers.

The fall in the overall smoothed synthetic curve, which reflects the underlying cyclical trend, has gained a bit of momentum.

Business survey indicators

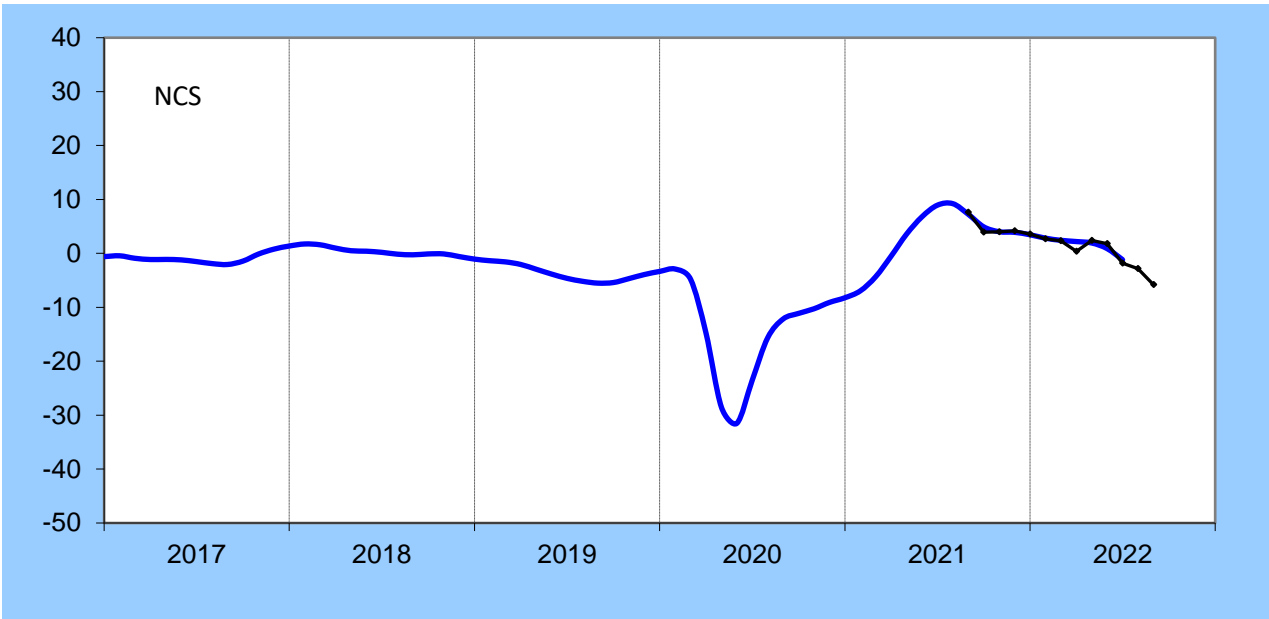
	Gross synthetic curve			Smoothed synthetic curve ¹
	July 2022	August 2022	Variation in points	Variation in Points
Manufacturing industry	-2.6	-7.2	-4.6	-0.8
Business-related services	4.4	2.1	-2.3	-0.9
Building industry	-6.3	-5.6	0.7	-1.0
Trade	-16.5	-11.9	4.6	-1.5
Overall synthetic curve	-2.8	-5.8	-3.0	-2.1

¹ The smoothed curve has a two-month delay for the overall synthetic curve and a four-month delay for the branches of activity. This implies that the overall smoothed indicator reflects recent developments more closely than the smoothed indicators per branch.

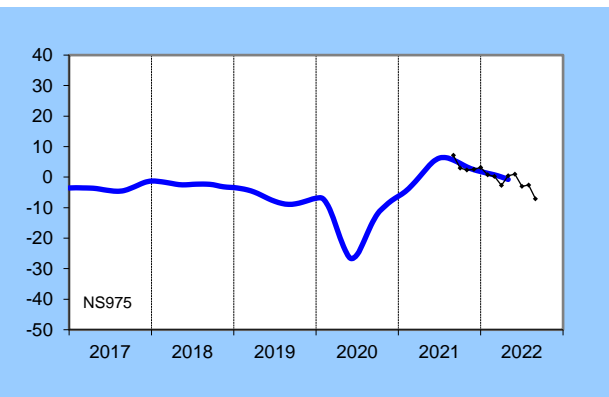
Source: NBB.

CHART 1 - SYNTHETIC CURVES

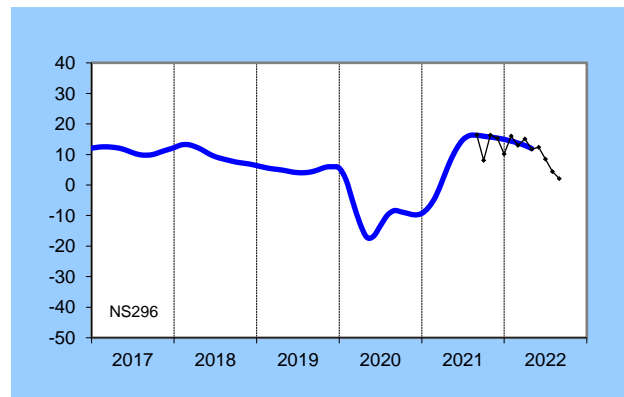
OVERALL SYNTHETIC CURVE



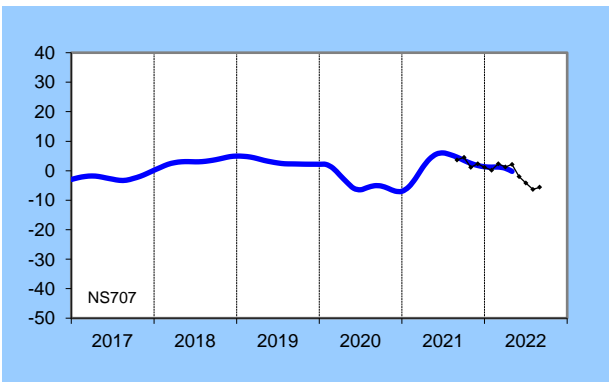
MANUFACTURING INDUSTRY



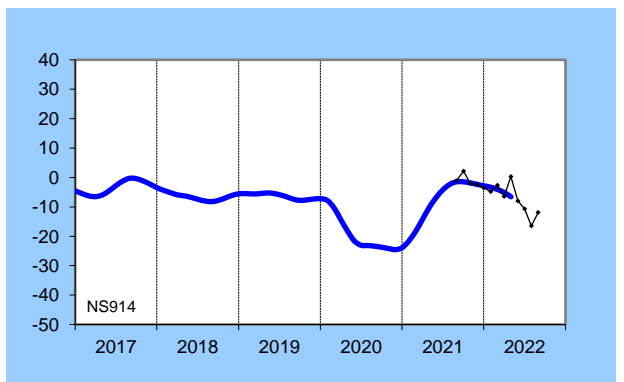
BUSINESS-RELATED SERVICES



BUILDING INDUSTRY



TRADE



— Seasonally adjusted and smoothed series
Source: NBB

◆—◆ Seasonally adjusted series

SYNTHETIC CURVES AND THEIR COMPONENTS

TABLE 1

Seasonally adjusted balances of "positive" answers or "higher than normal"(+) and "negative" answers or "lower than normal"(-).	Since 1990			Adjusted series				Smoothed series			
				2022				2022			
	Min. ¹	Max. ¹	Avg. ²	May	Jun	Jul	Aug	Mar	Apr	May	Jun
Overall synthetic curve	-36.1	+10.1	-5.2	+1.8	-1.8	-2.8	-5.8	+2.2	+1.9	+0.9	-1.2
Manufacturing industry curve	-36.0	+10.0	-8.6	+1.0	-3.0	-2.6	-7.2	+0.1	-0.7	.	.
Assessment of total order books	-57.7	+10.0	-19.4	-0.3	-5.2	-4.1	-15.3	-6.6	-5.7	.	.
Assessment of level of stocks ³	-19.0	+25.0	+4.7	+1.9	+7.9	+5.0	+10.9	+0.9	+2.8	.	.
Employment expectations	-41.4	+11.5	-7.4	+5.4	+4.6	+3.8	+0.6	+5.3	+5.4	.	.
Demand expectations	-37.9	+15.0	-3.1	+0.6	-3.5	-5.2	-3.2	+2.0	+0.5	.	.
Business-related services curve	-62.1	+34.0	+9.3	+12.4	+8.5	+4.4	+2.1	+12.9	+12.0	.	.
Assessment of activity	-71.6	+20.0	-6.4	+2.1	-3.3	-5.5	-13.9	-1.1	+0.3	.	.
Activity expectations	-70.7	+47.0	+21.5	+18.8	+19.3	+10.2	+11.9	+22.3	+20.5	.	.
Market demand expectations	-59.9	+44.0	+13.0	+16.3	+9.4	+8.5	+8.2	+17.3	+14.9	.	.
Building industry curve	-24.3	+24.3	-3.3	-2.0	-4.1	-6.3	-5.6	+0.8	-0.2	.	.
Trend in orders	-30.1	+33.0	-0.1	+3.5	-2.3	-9.1	-4.2	+6.4	+5.2	.	.
Trend in equipment	-38.4	+24.0	+1.7	+1.8	+4.4	-1.0	-2.3	+3.0	+3.2	.	.
Assessment of order books	-50.0	+30.0	-15.0	+2.7	+2.1	+4.0	+4.5	+1.5	+2.0	.	.
Demand expectations	-26.0	+18.0	+0.0	-15.9	-20.8	-19.0	-20.5	-6.9	-10.7	.	.
Trade curve	-41.8	+16.0	-3.3	-7.9	-10.7	-16.5	-11.9	-5.1	-6.6	.	.
Employment expectations	-33.0	+18.0	+1.1	+3.1	+3.8	-1.0	+2.0	+2.9	+3.0	.	.
Demand expectations	-56.0	+29.0	-2.6	-15.6	-18.9	-31.0	-15.2	-6.0	-9.2	.	.
Intentions of placing orders	-40.1	+15.0	-8.4	-11.3	-17.0	-17.5	-22.6	-11.7	-12.4	.	.

¹ Minimum and maximum of each indicator (raw series) from January 1990 to the month under review.

² Average of each indicator (raw series) from January 1990 until end 2021.

³ A positive, respectively negative balance, means that stocks, according to the assessment of entrepreneurs, are higher, respectively lower than normal for the season. When synthetic curves are calculated, the sign of this indicator is therefore reversed.

OTHER BUSINESS SURVEY INDICATORS

TABLE 2

Seasonally adjusted balances of "positive" answers or "higher than normal"(+) and "negative" answers or "lower than normal"(-).	Since 1990			Adjusted series				Smoothed series			
				2022				2022			
	Min. ¹	Max. ¹	Avg. ²	May	Jun	Jul	Aug	Mar	Apr	May	Jun
Manufacturing industry											
Trend in production rate	- 53.0	+ 20.0	- 1.0	+ 3.1	- 2.5	- 9.6	- 13.3	+ 2.2	+ 1.6	.	.
Trend in domestic orders	- 48.7	+ 16.0	- 7.4	- 7.8	- 2.4	- 8.2	- 12.5	- 2.1	- 3.0	.	.
Trend in export orders	- 56.3	+ 30.0	- 2.4	- 5.3	- 1.9	- 5.2	- 13.7	- 0.1	- 1.3	.	.
Assessment of export order books	- 61.0	+ 10.0	- 20.3	- 8.6	- 9.7	- 0.8	- 12.4	- 6.4	- 7.9	.	.
Trend in prices	- 21.0	+ 34.3	- 0.3	+ 32.8	+ 27.4	+ 20.8	+ 17.1	+ 30.0	+ 30.1	.	.
Price expectations	- 24.0	+ 54.2	+ 3.4	+ 44.5	+ 35.1	+ 29.7	+ 24.9	+ 42.4	+ 42.6	.	.
Production capacity											
(in percentage of the total production capacity)	70.1	84.6	79.6	-	-	80.7	-				
Source: quarterly production capacity survey											
Business-related services											
Trend in activity	- 73.0	+ 37.0	+ 9.4	+ 6.8	+ 19.6	+ 15.5	- 19.0	+ 19.1	+ 19.2	.	.
Trend in employment	- 49.4	+ 34.0	+ 6.4	+ 8.7	+ 8.3	+ 5.8	+ 14.1	+ 11.0	+ 10.3	.	.
Employment expectations	- 35.0	+ 48.0	+ 17.3	+ 34.1	+ 35.0	+ 29.2	+ 28.3	+ 34.6	+ 33.7	.	.
Trend in prices	- 15.8	+ 24.3	+ 1.9	+ 16.1	+ 11.6	+ 11.3	+ 19.1	+ 15.5	+ 15.7	.	.
Price expectations	- 13.0	+ 36.1	+ 7.0	+ 34.4	+ 30.3	+ 35.0	+ 30.7	+ 27.7	+ 28.5	.	.
Building industry											
Trend in activity	- 66.6	+ 34.7	- 1.8	+ 1.1	+ 1.8	+ 0.6	+ 2.9	+ 5.1	+ 4.4	.	.
Trend in employment	- 27.0	+ 22.0	- 3.2	+ 1.7	+ 7.5	+ 1.3	+ 2.2	+ 3.0	+ 2.8	.	.
Employment expectations	- 31.0	+ 30.0	+ 0.7	+ 11.9	+ 8.2	+ 7.6	+ 8.2	+ 12.4	+ 11.2	.	.
Trend in prices	- 27.1	+ 52.8	- 3.4	+ 51.6	+ 52.8	+ 38.8	+ 33.9	+ 38.9	+ 41.7	.	.
Price expectations	- 20.6	+ 64.0	+ 2.2	+ 62.3	+ 64.0	+ 48.1	+ 51.5	+ 53.0	+ 53.9	.	.
Trade											
Trend in sales	- 50.1	+ 43.0	- 1.9	- 2.0	- 1.4	- 15.2	- 5.6	- 1.6	- 1.6	.	.
Assessment of sales	- 50.0	+ 28.0	- 8.5	- 6.7	- 12.1	- 25.9	- 17.6	- 4.0	- 6.8	.	.
Assessment of level of stocks ³	- 17.1	+ 38.1	+ 11.4	- 10.4	- 12.0	- 7.1	- 4.4	- 8.8	- 9.8	.	.
Trend in prices	- 23.5	+ 48.6	- 1.2	+ 43.1	+ 48.6	+ 41.6	+ 40.5	+ 31.7	+ 35.1	.	.
Price expectations	- 14.2	+ 69.5	+ 5.7	+ 69.5	+ 58.7	+ 62.5	+ 56.8	+ 58.1	+ 60.7	.	.

¹ Minimum and maximum of each indicator (raw series) from January 1990 to the month under review.

² Average of each indicator (raw series) from January 1990 until end 2021.

³ A positive, respectively negative balance, means that stocks, according to the assessment of entrepreneurs, are higher, respectively lower than normal for the season.

Quarterly business survey on credit conditions – July 2022

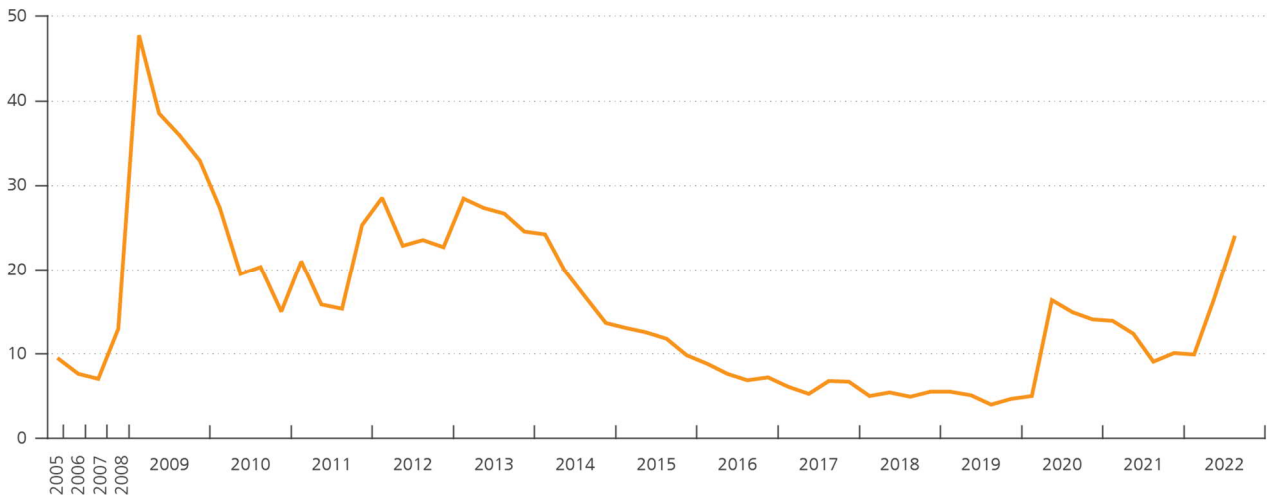
Companies feel borrowing conditions tightened even further in July

According to the quarterly survey on the appraisal of borrowing conditions conducted in July 2022, companies consider that the general conditions for access to bank loans have got even tougher: the credit constraint perception indicator reached 24.1 % in July, compared with 16.5% in April. It has thus exceeded the level recorded before the outbreak of the pandemic in 2020. Not since the year 2013 has such a high proportion of firms reporting difficulties with credit conditions been observed.

This deterioration, felt in all branches of activity surveyed, was greatest in the business-related services sector, where 31.9 % of companies perceived credit conditions to be restrictive in July, compared with 21.5 % in April. Borrowing conditions were also felt to be tighter, albeit to a lesser extent, in the manufacturing industry (up from 12.6 to 18.7 %) and in the building industry (increase from 23.1 to 27.7 %).

The findings based on company size indicate that the credit tightening is affecting all firm categories. The perception of credit constraint grew the most among large firms (between 250 and 499 employees), which had been the only ones to have seen some relaxation of borrowing constraints in the previous quarter.

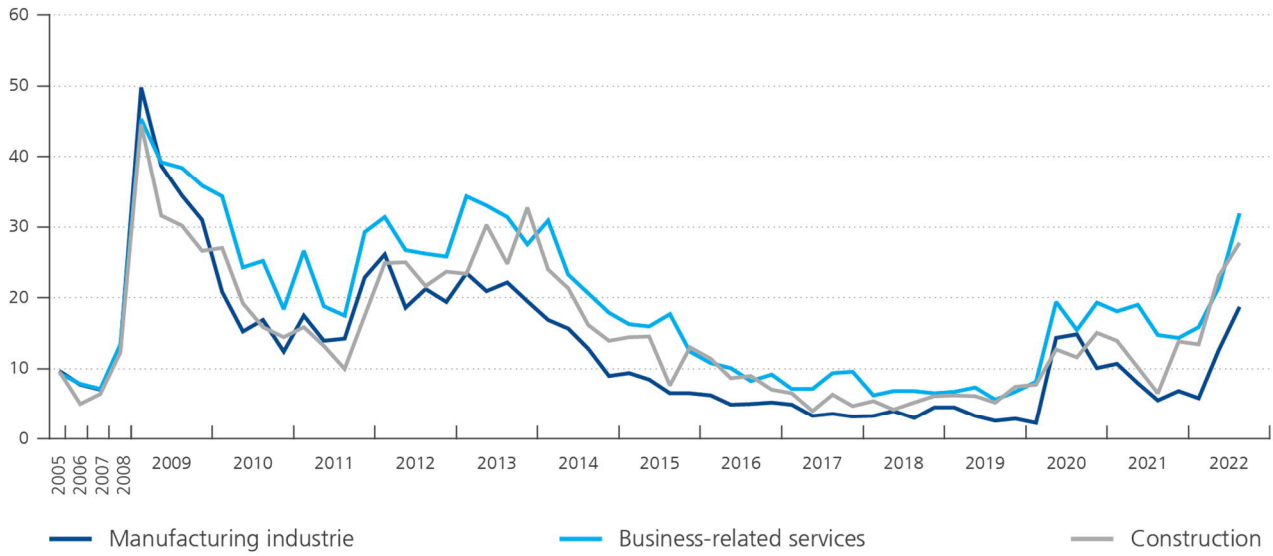
Chart 2 - Credit constraint perception¹ - Overall indicator



Source: NBB - quarterly survey on credit conditions.

¹ Percentage of firms that perceive current credit conditions as constraining.

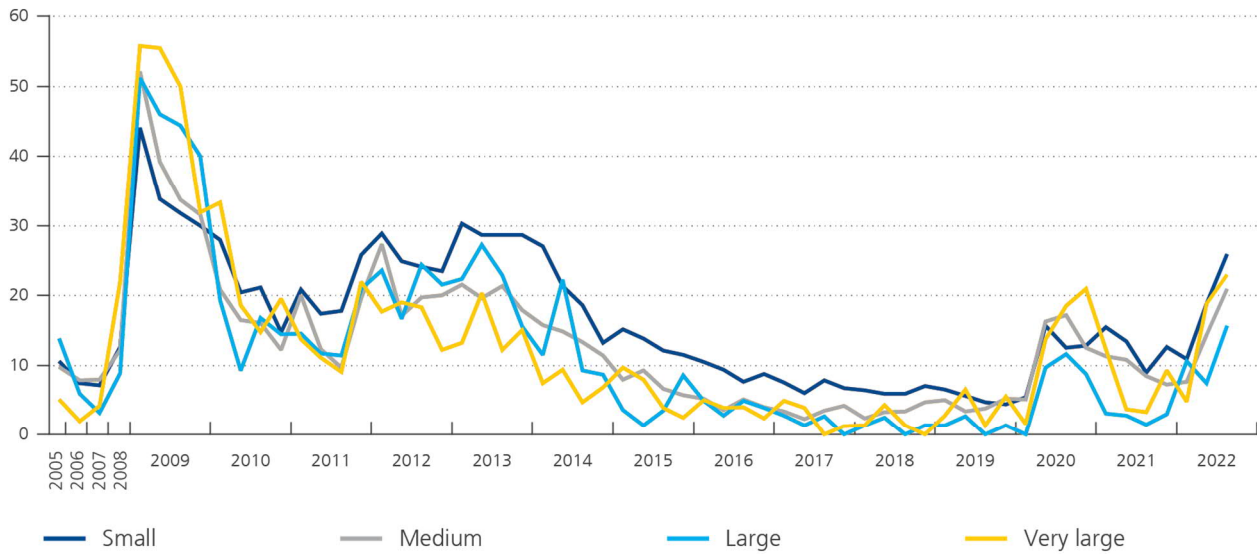
Chart 3 - Credit constraint perception¹ - Breakdown by branch of activity



Source: NBB - quarterly survey on credit conditions.

¹ Percentage of firms that perceive current credit conditions as constraining.

Chart 4 - Credit constraint perception¹ - Breakdown by company size²



Source: NBB - quarterly survey on credit conditions.

¹ Percentage of firms that perceive current credit conditions as constraining.

² Small = 1-49 employees; medium = 50-249 employees; large = 250-499 employees; very large = 500 or more employees.

TABLE 3 CREDIT CONSTRAINT PERCEPTION INDICATOR¹

	07-2021	10-2021	01-2022	04-2022	07-2022
Overall indicator ²	9.1	10.1	9.9	16.5	24.1
By branch of activity					
Manufacturing industry	5.5	6.8	5.8	12.6	18.7
Business-related services	14.8	14.4	15.9	21.5	31.9
Construction	6.5	13.9	13.4	23.1	27.7
By size of company³					
Small	9.0	12.6	10.8	18.8	25.9
Medium	8.4	7.2	7.7	14.3	20.9
Large	1.5	2.9	10.6	7.5	15.6
Very large	3.3	9.2	4.8	18.8	23.0

¹ Percentage of firms that perceive current credit conditions as constraining

² Weighted average of manufacturing industry, business-related services and building industry (criterion for weighting: outstanding debt with credit institutions). Within the individual branches, however, the responses of firms are not weighted.

³ Small: 1-49 employees; medium: 50-249 employees; large: 250-499 employees; very large: 500 employees or more.

Methodology on the « perception of credit constraint » by businesses

The National Bank of Belgium (NBB) publishes an indicator based on the quarterly credit condition business survey findings. This « credit constraint perception » indicator shows the proportion of firms' unfavourable assessments of the current credit conditions.

In terms of statistical properties, this appears to be more relevant than an indicator showing the level of favourable assessments or the balance between favourable and unfavourable assessments.

The new indicator is also easy to interpret, as any rise (or fall) in it means that companies feel credit conditions are tightening (or easing).

The credit constraint perception indicator, compiled by the NBB, is available on a quarterly basis since January 2009¹.

¹ The results of the quarterly survey among enterprises on credit conditions are also included and commented in the quarterly release of the Observatory for credit to non-financial companies, at the same time as the Belgian results of the ESCB-Bank Lending Survey (https://www.nbb.be/doc/dq/bls/en/bls_home.htm).